

MANAGEMENT COMPENSATION AND BENEFITS PLAN

SECTION 1: INTRODUCTION

This attachment constitutes the Management Compensation and Benefits Plan, which contains three parts: 1) an introduction, 2) a brief overview of how management performance will be evaluated and how compensation levels will be determined, and 3) a schedule of management benefits.

A. Definitions

1. Management Employees - Management employees are defined as those employees whose classifications are listed on the Management Salary Structure. Except as to those management employees subject to an applicable law, all management employees are considered “at-will” and have no property rights to their position. At will employment with the City may be terminated at any time by either party, with or without cause, for any reason or no reason whatsoever, and with or without advance notice. At will employees do not have the right to appeal.
2. Carlsbad Police Management Association - The City of Carlsbad recognizes the Carlsbad Police Management Association (CPMA) as the exclusive majority representative for the classifications of Police Lieutenant and Police Captain, pursuant to the petition for formal recognition submitted on January 24, 1983 and approved April 22, 1983, in accordance with the Carlsbad Municipal Code.
3. City Council Appointed Employees - The City Manager and City Attorney are hired by and responsible directly to the City Council. The salaries for these positions shall be set by the City Council. The City Manager and City Attorney will not be subject to the provisions of the Performance Management and Compensation program as outlined in Section 2 of this attachment. The schedule of management benefits (as outlined in Section 3 of this attachment) will apply to these positions, except as otherwise provided by the City Council.

SECTION 2: PERFORMANCE MANAGEMENT AND COMPENSATION SYSTEM OVERVIEW

The City Council has delegated its authority to the City Manager (and City Attorney, for management employees in the City Attorney’s Office)¹ to administer a Performance Management and Compensation System for management employees, including CPMA represented employees, under the following general guidelines.

¹ Hereafter, all references to the City Manager include, with regard to management employees in the City Attorney’s Office, the City Attorney.

The system is comprised of two major components:

- Performance Management - emphasizing an employee development approach to performance appraisal, comprised of:
 - ⇒ Alignment of individual contributions with organizational direction,
 - ⇒ Development and demonstration of competencies in the job, and
 - ⇒ Measurement of levels of accomplishment of goals
- **Compensation** - based on a market driven approach to compensation, comprised of:
 - ⇒ Market based salary structure
 - ⇒ Base pay
 - ⇒ Incentive Pay

PERFORMANCE MANAGEMENT

The Performance Management Cycle

The Performance Management Cycle coincides with the fiscal year and includes three separate phases: Performance Planning, Performance Update, and Performance Review.

Major Components of Performance Management

The two major components upon which a management employee's performance is based are:

- the development and demonstration of specific competencies, and
- the accomplishment of goals.

Management Competencies -

All management employees are reviewed and evaluated based on how well they can develop and demonstrate specific competencies. Competencies are the knowledge, skills, abilities, and behaviors that are essential to the success of each management employee.

Goals -

Goals describe how the individual's contribution links and aligns with their department's goals and objectives and ultimately with those of the City Council. Goals are set at the beginning of the performance management cycle, and employees are evaluated at the end of the cycle as to how well they accomplished their assigned tasks for the year.

Link to Compensation

An employee's performance, as evaluated against the selected competencies, is rewarded by a base pay adjustment. Base pay adjustments are ongoing and are added to the employee's annual salary. An employee's performance, as evaluated against the achievement of annual goals, is rewarded by an incentive award. Incentive payouts are one-time cash payments to an employee which do not recur automatically from time to time. Both the base pay increases and the incentive payments comprise the cash compensation available to management employees.

COMPENSATION

The Performance Management and Compensation System is based upon a market based approach to compensation, comprised of:

- A market based salary structure
- A base pay program based on the development and demonstration of competencies
- An incentive pay program based on the measurable achievement of specific goals

Market Based Salary Structure - Base Pay Program

The Management Salary Schedule, attached hereto as Attachment A, establishes a salary grade for each management classification. The City Manager is delegated authority to place employees at any salary within the range, as determined by the appointee's knowledge, skills and abilities. The area of the salary grade between the minimum and the bottom of the market range is intended for inexperienced new hires.

The Human Resources Department will conduct an annual survey of a reasonable number of comparable agencies in San Diego County. Job content, job classification and salary information on each City of Carlsbad classification will be compared with appropriate classifications in the comparator group. The City Council delegates to the City Manager the authority to assign job classifications to a specific salary grade, based on both benchmark salary information and internal relationships within the organization. Changes to the "minimum" and "market range" of each salary grade within this structure shall be approved by the City Council.

The City Council determines the budget amount to be spent on management base pay increases for each fiscal year, and the base pay increase percentages will be determined after all of the performance ratings have been determined. All base pay increases are prospective. Management employees whose current salary is above the maximum of the market range for their assigned salary grade shall continue to be paid at that base rate until their salary falls within the market range, and until such time shall not be eligible for base pay increases.

INCENTIVE PAY PLAN

The Incentive Pay plan is provided in addition to the Base Pay plan.

All management employees are eligible for incentive pay, regardless of their position in the salary range. All management employees' salary above base pay is unfixed and uncertain until completion of the evaluation and award process annually, in which the incentive portion, if any, is determined for each management employee.

Employees earn the incentive based on their achievement of goals established during the performance management process. For each goal, achievement is rated based on one of two performance levels: Threshold or Target.

Unlike base pay increases which are determined at the end of the performance management cycle, the potential incentive percentages will be made public at the beginning of the performance review cycle. Incentive awards are expressed as a percentage of base pay. The City Council will determine the annual amount to be budgeted for management incentive pay, and an Incentive Pay matrix will be distributed to all management employees. This matrix will change from time to time based on the City's economics, market data, and demographics. At the end of the fiscal year and upon completion of the review process, incentive awards will be granted to employees based on their level of goal accomplishment during the performance management cycle. No management employee shall be awarded incentive compensation in an amount greater than 10% of that employee's base salary.

The City Manager will periodically provide the City Council with progress reports on the operation of the Performance Management and Compensation System.

SECTION 3: SCHEDULE OF BENEFITS

Life Insurance

All management employees shall receive City paid life insurance in an amount equal to two times the basic yearly earnings. To determine benefits, the amount of insurance is rounded to the next higher \$1,000 multiple, unless the amount equals a \$1,000 multiple. Supplemental Life, at an amount equal to City paid life insurance, is available at the employee's cost. Dependent life is also available at the employee's cost.

Former CMWD management employees shall receive Group Term Life Insurance, Accidental Death and Dismemberment, and Dependent Life Insurance as contained in their *Individual Agreement*.

Retirement

All management employees shall participate in the California Public Employees' Retirement System (CalPERS). The specific retirement formula applied will be determined based on whether the position is deemed safety or miscellaneous. All positions not deemed eligible for safety retirement will be deemed miscellaneous under the CalPERS system. Optional benefits unique to the City of Carlsbad's contract with CalPERS are outlined in the Coverage Key of the CalPERS Procedures Manual. A copy of this manual is kept on file in the Human Resources Department.

Retirement Contribution

All management employees, other than management employees who are considered fire safety employees, shall have all seven percent (7%) of their portion of the retirement contribution to the California Public Employees' Retirement System paid by the City until the pay period that includes January 1, 2005. The specific retirement formula applied will be determined based on whether the position is deemed safety or miscellaneous. All positions not deemed eligible for safety retirement will be deemed miscellaneous under the CalPERS system.

Management employees who are considered fire safety employees are eligible for the same retirement benefit formula and are subject to the same retirement provisions described in the City of Carlsbad CalPERS safety contract as those provided to employees represented by the Carlsbad Firefighters' Association, Inc. For sworn fire management employees, the City will contract with the California Public Employees' Retirement System (CalPERS) to provide the "3% @ 50" retirement benefit effective the pay period inclusive of January 1, 2004. Effective the pay period inclusive of January 1, 2004, the City will pay on behalf of all sworn fire management employees eight percent (8%) of the employee's retirement contribution to CalPERS. Effective the pay period inclusive of January 1, 2004, each sworn fire management employee will pay the additional one percent (1%) employee retirement contribution to CalPERS. The one percent employee retirement contribution will be made on a pre-tax basis. A two-tier retirement plan will apply to all sworn members entering membership for the first time in a City of Carlsbad fire safety classification on or after October 4, 2010. The terms of the second tier shall include the following:

- a. 2% @ 50 formula
- b. 3-year Final Average Earnings (FAE) for final compensation calculation

Effective January 1, 2005, the City will contract with CalPERS to provide the "3% @ 60" retirement benefit for Management employees who are considered miscellaneous. Effective the pay period inclusive of January 1, 2005, the City will pay on behalf of all miscellaneous management employees seven percent (7%) of the employee's retirement contribution to CalPERS. Effective the pay period inclusive of January 1, 2005, each miscellaneous management employee will pay the additional one percent (1%) employee retirement contribution to CalPERS. This one percent employee retirement contribution will be made on a pre-tax basis by implementing provisions of section 414(h)(2) of the Internal Revenue Code (IRC).

Management Leave

Management employees are exempt from overtime requirements under the Fair Labor Standards Act. Fire Battalion Chiefs are exempt from overtime requirements under FLSA, however, Fire Battalion Chiefs that are required to work a 24-hour shift/112 hours per bi-weekly pay period schedule are paid straight time for overtime when they are covering the duty for a Battalion Chief on leave. Management employees in the City are paid on a salary basis versus an hourly basis. Pursuant to FLSA regulation 29 CFR Section 541.5d, the City can make deductions from salary or leave accounts for partial day absences for personal reasons or sickness because the City has a policy and practice of requiring its employees to be accountable to the public that they have earned their salaries. A partial day absence is an absence of less than the employee's regular work day. Pursuant to FLSA regulation 29 CFR Section 541.118 (a)(2) and (a)(3), the City may make salary or leave reductions based upon full day absences.

Partial day or full day absences shall be first charged against the exempt employee's vacation, sick, or executive leave account. In the event the exempt employee does not have sufficient time in his/her leave account to cover the absence, deductions without pay will be made on full days only.

- **Vacation**

All management employees (except Fire Battalion Chiefs that work 112 hours per bi-weekly pay period) shall earn vacation on the following basis:

- Beginning with the first (1st) working day through the completion of five (5) full calendar years of continuous service - 80 hours/year (3.08 hours biweekly).
- Beginning the sixth (6th) year of employment through the completion of ten (10) full calendar years of continuous service - 120 hours/year (4.62 hours biweekly).
- Beginning the eleventh (11th) year of employment through the completion of eleven (11) full calendar years of continuous service - 128 hours/year (4.92 hours biweekly).
- Beginning the twelfth (12th) year of employment through the completion of twelve (12) full calendar years of continuous service - 136 hours/year (5.23 hours biweekly).
- Beginning the thirteenth (13th) year of employment through the completion of thirteen (13) full calendar years of continuous service - 144 hours/year (5.54 hours biweekly).

- Beginning the fourteenth (14th) year of employment through the completion of fifteen (15) full calendar years of continuous service - 152 hours/year (5.84 hours biweekly).
- Beginning the sixteenth (16th) year of continuous employment, vacation time shall be accrued, and remain at a rate of 160 hours for every full calendar year of continuous employment thereafter (6.15 hours biweekly).

Management employees with comparable service in local government agencies may be granted credit for such service for the purpose of computing vacation at the discretion of the City Manager. All management employees shall be permitted to earn and accrue up to and including three hundred and twenty (320) hours of vacation, and no employee will be allowed to earn and accrue vacation hours in excess of the three hundred and twenty (320) hour maximum.* The City Manager shall be responsible for the granting of vacation to all management personnel, except in the case of the City Attorney's Office, where the City Attorney shall be responsible for granting vacation.

* If there are unusual circumstances that would require an employee to exceed the vacation accrual maximum, he/she must submit a request in writing to the Department Head and the City Manager. The Department Head and the City Manager may grant such a request if it is in the best interest of the City. Requests will be handled on a case-by-case basis and will be considered only in extreme circumstances.

Former CMWD management employees shall earn and accrue vacation up to and including the maximum as contained in their *Individual Agreement*. Fire Battalion Chiefs that work a 112 hours per bi-weekly pay period shall earn and accrue vacation up to and including the maximum commensurate with Carlsbad Firefighters' Association (CFA) represented employees that work 112 hours per bi-weekly pay period.

- Vacation Conversion

Each December, management employees will be allowed to voluntarily convert up to 80 hours of accrued vacation to cash, provided that they have used 80 hours of vacation during the prior calendar year as defined by the 26 pay periods in that calendar year. Fire Battalion Chiefs that work 112 hours per bi-weekly pay period will be allowed to voluntarily convert up to 112 hours of accrued vacation to cash, provided that they have used 112 hours of vacation during the prior calendar year as defined by the 26 pay periods in that calendar year.

- Executive Leave

All management personnel, except former CMWD management employees, shall receive 56 hours per fiscal year for executive leave. The 56 hours will be credited at the beginning of each fiscal year to individual leave balances. This leave must be used within the same fiscal year.

The City Manager is authorized to provide ten (10) additional hours of executive leave per year to any management employee who is required to work extended hours due to emergencies such as fires, storms, floods, or other emergencies.

- Sick Leave

Twelve (12) days of sick leave are accrued per year. Accumulation is unlimited (employees cannot receive payment for unused sick leave). Fire Battalion Chiefs that work 112 hours per bi-weekly pay period shall accrue sick leave commensurate with CFA represented employees that work at 112 hours per bi-weekly pay period.

- Bereavement Leave

An employee may use up to an equivalent of three work days of paid leave if required to be absent from duty due to the death of a member of the employee's immediate family. Additional time off may be authorized by the Department Head and charged to accrued vacation or sick leave or treated as leave without pay.

The "immediate family" shall be defined as: spouse, child, parent, sibling, grandparents, grandchild, registered domestic partner; the aforementioned either natural, legally adopted, step or in-law, or any person over which the employee acts as legal guardian, or a verifiable current member of the immediate household.

The employee may be required to submit proof of relative's death before final approval of leave with pay is granted.

- Leave of Absence

1. Leave of Absence Without Pay

- A. General Policy

Any employee may be granted a leave of absence without pay pursuant to the recommendation of his/her Department Head and the approval of the City Manager.

A leave without pay may be granted for any of the following reasons:

1. Illness or disability.

2. To take a course of study which will increase the employee's usefulness on return to his/her position in the City service.
3. For personal reasons acceptable to the City Manager and Department Head.

B. Authorization Procedure

Requests for leave of absence without pay shall be made upon forms prescribed by the City Manager and shall state specifically the reason for the request, the date when the leave is desired to begin, the probable date of return, and the agreement to reimburse the City for any benefit premiums paid by the City during the leave of absence. The request shall normally be initiated by the employee, but may be initiated by his/her Department Head, and, upon written recommendation of the Department Head that it be granted, modified or denied, shall be promptly transmitted to the City Manager. A copy of any approved request for leave of absence without pay shall be delivered promptly to the Directors of Finance and Human Resources.

C. Length of Leave and Extension

A leave of absence without pay may be made for a period not to exceed six months, unless otherwise approved by the City Manager. The procedure for granting extensions shall be the same as that in granting the original leave provided that the request for extension is made no later than fourteen (14) calendar days prior to the expiration of the original leave.

D. Return From Leave

When an employee intends to return from an authorized leave of absence without pay either before or upon the expiration of such leave, he/she shall contact his/her Department Head at least fourteen (14) calendar days prior to the day he/she plans to return. The Department Head shall promptly notify the City Manager of the employee's intention. The employee shall return at a rate of pay not less than the rate at the time the leave of absence began.

E. Effect of Leave Without Pay

An employee shall utilize all his/her vacation, and/or sick leave (if applicable) prior to taking an authorized leave of absence without pay.

A prorata reduction of normal annual vacation and sick leave accruals shall be applicable to an approved absence without pay. Any absence without pay constitutes a break of continuous service with the City. The granting of any leave without pay exceeding two full scheduled pay periods shall cause the employee's salary anniversary date and calculation of full-time continuous service to be extended by the number of calendar days for which such leave has been granted less the first two full pay periods of such leave.

An employee's accumulation of sick leave and vacation leave will cease after the completion of two (2) full scheduled pay periods in which the employee has not received compensation due to a leave of absence without pay. Accrual will be reinstituted beginning the first day of the first full pay period after the employee has returned to work.

F. Leave Without Pay - Insurance Payments and Privileges

An employee on leave without pay may continue his/her City insurance benefits by reimbursing the City for the costs of insurance on a monthly basis during the period of the leave. Failure to reimburse the City for such benefits during the term of a leave of absence will result in the employee's coverage terminating on the first day following the month in which the last payment was received.

An employee on leave of absence without pay shall not have all of the privileges granted to regular employees.

- Pregnancy Disability Leave

An employee disabled by pregnancy shall be allowed to utilize a combination of accrued sick leave and vacation time and leave without pay to take a leave for a reasonable period of time, not to exceed four months. An employee shall utilize all accrued leave prior to taking leave without pay. Reasonable period of time means that period during which the employee is disabled on account of pregnancy, childbirth, or related conditions.

An employee who plans to take a leave pursuant to this article shall give the City reasonable notice of the date the leave shall commence and the estimated duration of the leave.

- Family and Medical Leave of Absence (FMLA)

An employee may be granted a FMLA of up to 12 weeks in a 12 month period for one or more of the following reasons:

- for the birth/placement of a child for adoption or foster care,
- to care for an immediate family member with a serious health condition, or
- to take medical leave when the employee is unable to work because of a serious condition.

FMLA may be paid or unpaid and may be granted concurrently and in conjunction with other leave and benefit provisions. Specific details regarding the provisions of this leave are available by contacting the Human Resources Department.

- Military Leave

Military leave shall be authorized in accordance with the provisions of State and Federal law. The employee must furnish satisfactory proof to his/her Department Head, as far in advance as possible, that he/she must report to military duty.

- Jury Duty

When called to jury duty, an employee shall be entitled to his/her regular compensation. Employees released early from jury duty shall report to their supervisor for assignment for the duration of the shift. Employees shall be entitled to keep mileage reimbursement paid while on jury duty.

A Department Head may, at his/her sole discretion, contact the court and request an exemption and/or postponement of jury service on behalf of an employee.

Employees released early from jury duty shall report to their supervisor for assignment for the duration of the work day. At the discretion of the supervisor, an employee may be released from reporting back to work if an unreasonable amount of the work day remains in light of travel time to the job site after release.

Health Insurance for Retirees

Effective January 1, 2001, management employees will be covered by the Public Employees' Medical and Hospital Care Act and will be eligible to participate in the California Public Employees' Retirement System (CalPERS) Health Program. Management employees who retire from the City, either service or disability, shall be eligible to continue their enrollment in the CalPERS Health Program when they retire, provided that the individual is enrolled or eligible to enroll in a CalPERS medical plan at the time of separation from employment and their effective date of retirement is within 120 days of separation. The City will contribute the minimum

amount per month required under Government Code Section 22892 of the PEMHCA toward the cost of each retiree's enrollment in the CalPERS Health Program. Direct authorization may be established for automatic deduction of payments for health insurance administered by CalPERS.

Employees who retire from the City, either service or disability, shall be eligible to continue to participate in the City's dental and/or vision insurance programs. The cost of such dental and/or vision insurance for the employee and eligible dependents shall be borne solely by the employee. The City shall not charge the COBRA administrative cost to the retirees.

In order to qualify for this benefit, the retiree must have a minimum of five (5) years of City service and be a minimum of fifty (50) years old.

The retiree must make arrangements with the City to prepay his/her monthly premiums for dental and/or vision insurance and must keep such payments current to ensure continued coverage.

Sick Leave Conversion

Any management employee who has accrued and maintains a minimum of one hundred (100) hours of sick leave shall be permitted to convert up to twelve (12) days of sick leave and uncompensated sick leave to vacation at a ratio of three (3) sick leave days per one (1) day of vacation. The sick leave conversion option will be provided during the first week of each fiscal year. Conversion can only be made in increments of full day vacation days. Employees will not be allowed to convert sick leave to vacation if such conversion would put them over the vacation accrual maximum.

Former CMWD management employees per their *Individual Agreement*, have the option to sell back 100% of accumulated sick leave in excess of 250 hours at their current rate. The City, at its discretion, may purchase any accumulated sick leave from any of these referenced management employees at the current rate.

Separation Compensation

All management employees involuntarily separated from the City service due to budget cutbacks, layoffs, contracting out of service or for other reasons not due to misconduct which would justify involuntary separation shall receive one month's salary computed at the employee's actual salary at the time of separation.

Holidays

All management employees shall be paid holidays in accordance with the schedule of eleven (11) holidays and one (1) floating holiday, as established by the City Council. Fire Battalion Chiefs are subject to the same holiday schedule that is outlined for management employees. However, they are compensated for holidays in the same manner as CFA represented employees that work 112 hours per bi-weekly pay period. The floating holiday may be used at the discretion of the employee with prior approval of the Department Head.

The scheduled paid holidays that will be official City holidays shall be as follows:

New Year's Day	Columbus Day
Martin Luther King's Birthday	Veteran's Day
Presidents' Day	Thanksgiving Day
Memorial Day	Thanksgiving Friday
Independence Day	Christmas Day
Labor Day	One (1) Floating Holiday

Health Benefits

Management employees will participate in a flexible benefits program which includes medical insurance, dental insurance, vision insurance and flexible spending accounts (FSAs). Each of these components is outlined below.

Medical Insurance

Management employees will be covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) and will be eligible to participate in the California Public Employees' Retirement System (CalPERS) Health Program. The City will pay on behalf of all management employees and their eligible dependents and those retirees mentioned in the section of this document titled, "Health Insurance for Retirees," the minimum amount per month required under Government Code Section 22892 of the PEMHCA for medical insurance through the California Public Employees' Retirement System (CalPERS). If electing to enroll for medical benefits, the employee must select one medical plan from the variety of medical plans offered.

Effective January 1, 2010, the City will contribute the following monthly amounts (called "Benefits Credits") on behalf of each active management employee and eligible dependents toward the payment of 1) medical premiums under the CalPERS Health Program, 2) contributions in the name of the employee to the City's flexible spending account(s), 3) contributions of some or all of the premium for dental coverage or vision coverage:

- (a) For employees with "employee only" coverage, the City shall contribute four hundred ninety-eight dollars (\$498) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City's total contributions, the employee will pay the difference.
- (b) For employees with "employee plus one dependent" coverage, the City shall contribute nine hundred fifty dollars (\$950) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City's total contributions, the employee will pay the difference.
- (c) For employees with "employee plus two or more dependents" coverage, the City shall contribute one thousand two hundred forty-eight dollars (\$1,248) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City's total contributions, the employee will pay the difference.

Effective January 1, 2011, the City will contribute the following monthly amounts (called “Benefits Credits”) on behalf of each active management employee and eligible dependents toward the payment of 1) medical premiums under the CalPERS Health Program, 2) contributions in the name of the employee to the City’s flexible spending account(s), 3) contributions of some or all of the premium for dental coverage or vision coverage:

- (a) For employees with “employee only” coverage, the City shall contribute five hundred thirty (\$530) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.
- (b) For employees with “employee plus one dependent” coverage, the City shall contribute one thousand eleven dollars (\$1,011) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.
- (c) For employees with “employee plus two or more dependents” coverage, the City shall contribute one thousand three hundred twenty-eight dollars (\$1,328) per month that shall include the mandatory payments to CalPERS. If the actual total premiums exceed the City’s total contributions, the employee will pay the difference.

Under no circumstances will any unused Benefits Credits as outlined above be paid to the employee in cash. If the amount contributed by the City (Benefits Credits) exceeds the cost of the medical and dental insurance purchased by the employee, the employee will have the option of using any “excess credits” to purchase vision insurance or to contribute to a healthcare or dependent care flexible spending account (FSA).

Dental Insurance

Management employees will be eligible to enroll in a City-sponsored dental plan. Should an employee elect to enroll for medical benefits, he/she must also enroll in dental coverage at the same coverage level (employee only, employee plus one dependent, employee plus two or more dependents) as medical insurance.

Vision Insurance

Management employees will be eligible to enroll in a City-sponsored vision insurance plan. Employees may elect to purchase vision insurance or to opt out of the vision insurance program. If the decision is made to purchase vision insurance, a management employee may purchase vision insurance at any level of coverage (employee only, employee plus one dependent, employee plus two or more dependents).

Opt Out Provision

Management employees who do not wish to participate in the CalPERS Health Program will have the choice of opting out of the City’s medical insurance program, provided they can show that they are covered under another insurance program.

Effective January 1, 2010, employees who elect this option will be given a reduced City contribution amount (Benefits Credits) of two hundred seventy-one dollars (\$271) per month, that shall include the mandatory payments to CalPERS, to be used toward the purchase of dental insurance, vision insurance, or as a contribution to a flexible spending account. The City contribution amount of two hundred seventy-one dollars (\$271) per month will be granted to any employee who elects to opt out of the CalPERS Health Program, regardless of the employee's level of coverage (employee only, employee plus one dependent, employee plus two or more dependents).

Effective January 1, 2011, employees who elect this option will be given a reduced City contribution amount (Benefits Credits) of two hundred eighty-eight dollars (\$288) per month, that shall include the mandatory payments to CalPERS, to be used toward the purchase of dental insurance, vision insurance, or as a contribution to a flexible spending account. The City contribution amount of two hundred eighty-eight dollars (\$288) per month will be granted to any employee who elects to opt out of the CalPERS Health Program, regardless of the employee's level of coverage (employee only, employee plus one dependent, employee plus two or more dependents).

Under no circumstances will any unused Benefits Credits as outlined above be paid to the employee in cash.

Former CMWD management employees shall receive Medical, Dental and Vision, and Retiree Medical as contained in their *Individual Agreement*.

Annual Physical Examination and/or Physical Fitness Testing

All management employees, excluding former CMWD management employees, shall be eligible for reimbursement of up to the amount of four hundred fifty dollars (\$450) during each fiscal year to pay the cost of an employee's annual physical examination and/or physical fitness testing.

The annual physical examination may be completed by a physician of the employee's choice. Each employee claiming reimbursement shall be required to submit original receipts to the Human Resources Department in lieu of submitting them to the insurance company for payment.

The annual physical examination offered to management employees provides physical fitness testing and information regarding lifestyle changes that promote optimum health. Program components include, but are not limited to: Computerized Heart Risk Profile, Complete Blood Profile, Nutritional Assessment, Diet Program, Body Measurements, Lung Assessment, Consultations, etc.

Long-Term Disability Insurance (LTD)

Long-term disability is available for all management personnel (except management personnel who are considered fire safety employees) after 30 days of disability. The LTD premium cost is paid by the City.

Former CMWD management employees shall receive LTD benefits as contained in their *Individual Agreement*.

Accidental Death and Dismemberment

This is a voluntary program available to any employee who chooses to participate. Employees may select among various levels of coverage which cover accidents and death. The City will pay one-third (1/3) of the cost, the employee pays two-thirds (2/3) and 100% of dependent coverage.

Deferred Compensation

The City shall provide deferred compensation plan(s) which may be utilized by any management employee. The City reserves the right to accept or reject any particular plan and to impose specific conditions upon the use of any plan.

The City agrees to work with the City's deferred compensation provider (currently ICMA Retirement Corporation) to implement a personal loan provision for all management employees as soon as administratively possible. It is acknowledged that the City will assist in the administrative set-up of this benefit but that the City has no liability if an employee should default on the repayment of such a loan.

Former CMWD management employees may voluntarily participate in the Deferred Compensation Plan as contained in their *Individual Agreement*. The City matches former CMWD employee contributions up to a maximum of 7.5% of the employee's earnings.

Drug and Alcohol Policy

It is the policy of the City of Carlsbad to provide a work environment free from the effects of drugs and alcohol consistent with the directives of the Drug Free Workplace Act. This policy is applicable to all employees covered by the Management Compensation and Benefits Plan. A copy of this policy is available in the Human Resources Department.

As a provision of this policy, the City provides a voluntary Employee Assistance Program (EAP) to assist employees who seek help for substance abuse or other personal problems affecting work or family life. This program is available to employees and their family members and offers 24-hour access to confidential professional EAP assistance for emergency or urgent situations. For more specific information, contact the Human Resources Department or visit the City's intranet site.

Reporting Value of Uniforms to CalPERS

Effective May 31, 2010, all fire management employees who are required to wear City-provided uniforms will have the amount of \$17.31 reported to CalPERS bi-weekly as special compensation related to the monetary value of the required uniforms, excluding boots.